

ERICSSON LM TELEPHONE CO  
Form 20-F  
March 29, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the Fiscal Year Ended December 31, 2018**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Commission file number 000-12033**

**TELEFONAKTIEBOLAGET LM ERICSSON**

**(Exact Name of Registrant as Specified in its Charter)**

**LM ERICSSON TELEPHONE COMPANY**

**(Translation of Registrant's name into English)**

**Kingdom of Sweden**

**(Jurisdiction of incorporation or organization)**

**SE-164 83 Stockholm, Sweden**

**(Address of principal executive offices)**

**Jonas Stringberg, Vice President, Head of Financial Control and Business Services**

**Telephone: +46 10 716 53 20, jonas.stringberg@ericsson.com**

**SE-164 83 Stockholm, Sweden**

**(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

<b>Title of Each Class</b>	<b>Name of Each Exchange on which Registered</b>
<b>American Depositary Shares (each representing one B share)</b>	<b>The NASDAQ Stock Market LLC</b>
<b>B Shares *</b>	<b>The NASDAQ Stock Market LLC</b>

\* Not for trading, but only in connection with the registration of the American Depositary Shares representing such B Shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

B shares (SEK 5.00 nominal value)	3,072,395,752
A shares (SEK 5.00 nominal value)	261,755,983
C shares (SEK 5.00 nominal value)	0

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of large accelerated filer and accelerated filer and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17      Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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**PART I**

**INTRODUCTION**

Unless otherwise indicated, all references herein to Ericsson, the Company, the Group, we, us, or our or our subsidiaries are references to Telefonaktiebolaget LM Ericsson and its consolidated subsidiaries.

This document is our Annual Report on Form 20-F for the year ended December 31, 2018 (the 2018 Form 20-F ). Reference is made to the English version of our Swedish Annual Report for 2018, with certain adjustments made to comply with U.S. requirements, which is attached hereto as Exhibit 15.1 (the 2018 Swedish Annual Report ). Only (i) the information included in this 2018 Form 20-F, (ii) the information in the 2018 Swedish Annual Report that is incorporated by reference in this 2018 Form 20-F, and (iii) the exhibits to the 2018 Form 20-F that are required to be filed pursuant to the Form 20-F shall be deemed to be filed with the Securities and Exchange Commission for any purpose, including incorporation by reference into the Registration Statement on Form F-3 filed on March 27, 2018 (File No. 333-223954) and any other document filed by us pursuant to the Securities Act of 1933, as amended, which incorporates by reference the 2018 Form 20-F. Any information in the 2018 Swedish Annual Report that is not referenced in the 2018 Form 20-F or filed as an exhibit thereto shall not be deemed to be so incorporated by reference. Certain industry, technical and financial terms used in this 2018 Form 20-F are defined in the subsections entitled Glossary and Financial Terminology of the 2018 Swedish Annual Report, which are incorporated herein by reference.

Market data and certain industry forecasts used herein were obtained from internal surveys, market research, publicly available information and industry publications. While we believe that market research, publicly available information and industry publications we use are reliable, we have not independently verified market and industry data from third-party sources. Moreover, while we believe our internal surveys are reliable, they have not been verified by any independent source.

The information included on [www.ericsson.com](http://www.ericsson.com) and other websites that appear in this 2018 Form 20-F is not incorporated by reference herein. From time to time, we may use our website as a channel of distribution of material company information. Financial and other material information regarding our company is routinely posted on and accessible at [www.ericsson.com](http://www.ericsson.com).

**Forward-Looking Statements**

This 2018 Form 20-F includes forward-looking statements, including statements reflecting management's current views relating to the growth of the market, future market conditions, future events, financial condition, and expected operational and financial performance, including, in particular the following:

Our goals, strategies, planning assumptions and operational or financial performance expectations;

Industry trends, future characteristics and development of the markets in which we operate;

Our future liquidity, capital resources, capital expenditures, cost savings and profitability;

The expected demand for our existing and new products and services as well as plans to launch new products and services including research and development expenditures;

The ability to deliver on future plans and to realize potential for future growth;

The expected operational or financial performance of strategic cooperation activities and joint ventures;

The time until acquired entities and businesses will be integrated and accretive to income; and

Technology and industry trends including the regulatory and standardization environment in which we operate, competition and our customer structure.

The words believe, expect, foresee, anticipate, assume, intend, likely, projects, may, could, plan, will, should, would, predict, aim, ambition, seek, potential, target, might, continue, or, in each variation, and similar words or expressions are used to identify forward-looking statements. Any statement that refers to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements.

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We caution investors that these statements are subject to risks and uncertainties many of which are difficult to predict and generally beyond our control that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements.

Important factors that could affect whether and to what extent any of our forward-looking statements materialize include but are not limited to the factors described in the section Risk Factors.

These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this Form 20-F , to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events, whether as a result of new information, future events or otherwise, except as required by applicable law or stock exchange regulation.

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**A. Selected Financial Data**

We present below certain selected financial data derived from our consolidated financial statements as of and for the years ended December 31, 2018, 2017, 2016, 2015, and 2014 , included herein, prepared in accordance with the International Financial Reporting Standards ( IFRS ) as issued by the International Accounting Standards Board ( IASB ). IFRS differs in certain significant respects from the accounting principles generally accepted in the United States, or U.S. GAAP.

The summary financial data should be read in conjunction with our consolidated financial statements and the notes thereto contained in this 2018 Form 20-F, as well as the information set forth under the heading Item 5. Operating and Financial Review and Prospects and the information set forth under the following headings of the 2018 Swedish Annual Report, which are incorporated herein by reference:

Other Information

Alternative Performance Measures

Financial Terminology

**2018    Change    2017    2016    2015    2014**

**Income statement and cash flow items, SEK  
million**

<b>Net sales</b> <sup>1)</sup>	210,838	3%	205,378	220,316	246,920	227,983
<b>Operating expenses</b> <sup>1)</sup>	66,848	5%	70,563	60,501	64,129	63,408
<b>Operating income (loss)</b> <sup>1)</sup>	1,242		34,743	5,187	21,805	16,807
<b>Net income (loss)</b> <sup>1)</sup>	6,276		32,433	1,012	13,673	11,143

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<b>Restructuring charges</b>	8,015	6%	8,501	7,567	5,040	1,456
<b>Cash flow from operating activities</b>	9,342	3%	9,601	14,010	20,597	18,702
<b>Year-end position, SEK million</b>						
<b>Total assets <sup>1)</sup></b>	268,761	3%	259,882	284,150	284,363	293,558
<b>Property, plant and equipment</b>	12,849	0%	12,857	16,734	15,901	13,341
<b>Stockholders equity<sup>1)</sup></b>	86,978	10%	96,935	134,582	146,525	144,306
<b>Non-controlling interest</b>	792	25%	636	675	841	1,003
<b>Per share indicators</b>						
<b>Earnings (loss) per share, basic, SEK <sup>1)</sup></b>	1.98		9.94	0.26	4.17	3.57
<b>Earnings (loss) per share, diluted, SEK <sup>1)</sup></b>	1.98		9.94	0.25	4.13	3.54
<b>Dividends per share, SEK <sup>2)</sup></b>	1	0%	1	1	3.7	3.4
<b>Dividends per share, USD <sup>3)</sup></b>	0.11	-8.5%	0.12	0.11	0.39	0.41
<b>Number of shares outstanding (in millions)</b>						
<b>end of period, basic</b>	3,297	0%	3,284	3,269	3,256	3,242
<b>average, basic</b>	3,291	0%	3,277	3,263	3,249	3,237
<b>average, diluted</b>	3,318	0%	3,317	3,303	3,282	3,270
<b>Other information, SEK million</b>						
<b>Additions to property, plant and equipment</b>	3,975	3%	3,877	6,129	8,338	5,322
<b>Depreciations and write-downs/impairments of property, plant and equipment</b>	3,843	39%	6,314	4,569	4,689	4,316
<b>Acquisitions/capitalization of intangible assets</b>	2,315	32%	1,759	5,260	5,228	6,184
<b>Amortization and write-downs/impairments of intangible assets</b>	4,475	79%	21,578	4,550	5,538	5,629
<b>Research and development expenses <sup>1)</sup> as percentage of net sales</b>	38,909	3%	37,887	31,631	34,844	36,308
<b>Inventory turnover days</b>	18.50%		18.40%	14.40%	14.10%	15.90%
<b>Alternative Performance Measures (APMs)</b>	70	6%	66	71	64	64
<b>Gross margin <sup>1)</sup></b>	32.30%		23.30%	29.60%	34.80%	36.20%
<b>Operating margin <sup>1)</sup></b>	0.60%		16.9%	2.40%	8.80%	7.40%
<b>EBITA margin</b>	1.40%		8.8%	3.60%	10.50%	9.30%
<b>Cash conversion <sup>1)</sup></b>	601%		73%	204%	85%	84%
<b>Free cash flow</b>	2,968	42%	5,109	254	7,515	4,593
<b>Free cash flow excluding M&amp;A</b>	4,253	12%	4,833	876	9,715	8,987
<b>Capital employed, SEK million <sup>1)</sup></b>	149,615	4%	155,625	185,666	195,150	189,839
<b>Return on equity <sup>1)</sup></b>	7.1%		28.1%	0.60%	9.30%	8.10%
<b>Return on capital employed <sup>1)</sup></b>	0.60%		20.6%	2.70%	11.60%	9.80%
<b>Equity ratio <sup>1)</sup></b>	32.70%		37.50%	47.60%	51.80%	49.50%
<b>Capital turnover <sup>1)</sup></b>	1.4	17%	1.2	1.2	1.3	1.2
<b>Working capital, SEK million <sup>1)</sup></b>	52,508	7%	56,439	82,327	104,811	103,246
<b>Gross cash, SEK million</b>	68,996	2%	67,702	57,877	66,270	72,159



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<b>Net cash, SEK million</b>	35,871	4%	34,657	31,191	41,150	48,014
<b>Statistical data, year-end</b>						
<b>Number of employees</b>	95,359	5%	100,735	111,464	116,281	118,055
<b>of which in Sweden</b>	12,502	10%	13,864	15,303	17,041	17,580
<b>Export sales from Sweden, SEK million <sup>1)</sup></b>	109,969	26%	87,463	105,552	117,486	113,734

1) 2017 and 2016 are restated due to implementation of IFRS 15 Revenue from Contracts with Customers, for more information see Note A3, Changes in accounting policies. Years 2014-2015 have not been restated. Year 2018 has been impacted by the implementation of IFRS 9 Financial instruments.

2) For 2018, as approved by the Annual General Meeting.

3) For 2018, as approved by the Annual General Meeting.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

The information set forth under the heading "Financials Risk Factors" of the 2018 Swedish Annual Report is incorporated herein by reference.

**ITEM 4. INFORMATION ON THE COMPANY****A. History and Development of the Company**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The Business

Ericsson in Brief

Financials

Board of Directors Report

Business in 2018

Financial Highlights - Capital expenditures

For capital expenditures we usually use available cash from operations.

Notes to the Consolidated financial statements



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Note E2 Business combinations

Note H6 Events after the reporting period

***General facts on the company***

**Legal and commercial name of the Parent Company:** Telefonaktiebolaget LM Ericsson (publ).

**Organization number:** 556016-0680

**Legal form of the Parent Company:** A Swedish limited liability company, organized under the Swedish Companies Act.

**Country of incorporation:** Sweden.

**Date of incorporation:** The Parent Company was incorporated on August 18, 1918, as a result of a merger between AB LM Ericsson & Co. and Stockholms Allmänna Telefon AB.

**Domicile:** Our registered office is Telefonaktiebolaget LM Ericsson, SE 164 83 Stockholm, Sweden. Our headquarters are located at Torshamnsgatan 21, Kista, Sweden.

**Telephone number:** +46 10 719 0000

**Website:** [www.ericsson.com](http://www.ericsson.com). The information included on our website is not incorporated herein by reference.

**Agent in the US:** Ericsson Inc., Vice President Legal Affairs, 6300 Legacy Drive, Plano, Texas 75024. Telephone number: +1 972 583 0000.

**Shares:** Ericsson's Class A and Class B shares are traded on Nasdaq Stockholm. In the US, our American Depository Shares (ADS), each representing one underlying Class B share, are traded on NASDAQ New York.

**Parent company operations:** The business of the parent company, Telefonaktiebolaget LM Ericsson, consists mainly of corporate management, holding company functions and internal banking activities. Our parent company operations also include customer credit management activities performed by Ericsson Credit AB on a commission basis.

**Subsidiaries and associated companies:** For a list of our significant subsidiaries, please see Item 4C. Investments. In addition to our joint venture ST-Ericsson (up until August 2, 2013), we are engaged in a number of minor joint ventures and cooperative arrangements. For more information regarding risks associated with joint ventures, strategic alliances and third-party agreements, please see Item 3D. Financials Risk Factors Market, Technology and Business Risks.

***Company history and development***

**Innovating to empower people, business and society**

Our origins date back to 1876 when Alexander Graham Bell filed a patent application in the United States for the telephone. The same year, Lars Magnus Ericsson opened a small workshop in Stockholm to repair telegraph instruments and sell his own telephone equipment.

Today, Ericsson enables communications service providers to capture the full value of connectivity. The company's portfolio spans Networks, Digital Services, Managed Services, and Emerging Business and is designed to help our customers go digital, increase efficiency and find new revenue streams. Ericsson's investments in innovation have delivered the benefits of telephony and mobile broadband to billions of people around the world.

The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC: <http://www.sec.gov>.

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**B. Business Overview**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Business Model

Strategy and financial targets

Segments

Supply chain

Financials

Board of Directors' report

Financial highlights    Research and development, patents and licensing

Financial highlights    Seasonality

Business results    Segments

Business results    Market Areas

Sourcing and supply

Sustainability and corporate responsibility

Notes to the consolidated financial statements

Note B1 Segment information

Risk factors

Market, technology and business risks

Regulatory, compliance and corporate governance risks

Corporate Governance

Corporate Governance report 2018

Regulation and compliance

Sustainability

Sustainability Management

Significant topics and risk management

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Ericsson has conducted business in Iran/Persia since the late nineteenth century, opened an office in Iran in 1973 and later established a local subsidiary in the country. Ericsson strongly believes in enabling communication for all and believes that access to communications can enable the right to health, education and freedom of expression. Ericsson's business activities in Iran principally involve the sale of communications infrastructure related products and services, including support, installation and maintenance services. Ericsson's exports from the European Union (the EU) to Iran are performed under export licenses from the Swedish Agency for Non-Proliferation and Export Controls and in compliance with applicable economic sanctions and export controls.

Due to its operations in Iran, and having staff permanently in the country, Ericsson has contacts with its local customers and retains certain local suppliers, including banks, and service providers. In addition, Ericsson has other dealings incidental to its local activities, such as making payments for taxes, salaries, rents, utilities and office and similar supplies as well for local accommodation and transportation and customs related services. As a result, Ericsson has contact with companies and public functions that may be owned or controlled by the government of Iran. While Ericsson seeks to obtain information regarding the actual business names and ownership of customers and other counterparties in Iran through its policies and procedures designed to ensure that Ericsson knows its customers, it is challenging to determine ownership and control with certainty, particularly with respect to determining whether an entity engaged in commercial activities is owned or controlled by the government.

During 2018, Ericsson sold communications infrastructure related products and services in Iran to the following telecommunications companies operating in the country: Farabord Dadehavare Iranian (Farabord) (relating to purchase orders received before May 2018), Mobile Communication Company of Iran (MCCI), and MTN Irancell. During 2018, Ericsson's gross revenue (reported as net sales) related to sales to Farabord, MCCI and MTN Irancell in Iran was approximately SEK 990 million.

Ericsson does not normally allocate net profit (reported as net income) on a country-by-country or activity-by-activity basis, other than as set forth in Ericsson's consolidated financial statements prepared in accordance with IFRS as issued by the IASB. However, Ericsson has estimated that its operating income (income before taxes and financial net) from such sales was negative, after internal cost allocation approximately SEK -820 million during 2018. Ericsson always strives to honor its engagements with existing customers in compliance with applicable export controls, sanctions and other laws, rules and regulations, but it is clear that the U.S. withdrawal from the Joint Comprehensive Plan of Action (the JCPOA) has impacted the overall possibility of doing business in Iran. Ericsson has carefully evaluated the implications of the re-introduced sanctions (caused by the withdrawal by the US from the JCPOA) and continues to monitor developments in this area as it relates to the ability to continue delivering products and services to customers. Since the US withdrawal from the JCPOA, Ericsson is winding down its business and organization significantly but still continues to provide the two main mobile carriers, MCCI and MTN Irancell with support critical for the network to function and to fulfill engagements with these carriers entered into before May 8, 2018. As Ericsson fulfills contractual obligations with regard to contracts entered into before the US withdrawal from the JCPOA, Ericsson may, during a wind down period need to interact with other counterparties. Ericsson continues to explore, including with EU and US authorities, whether and how the disruptive impact on the ability to maintain and support the operations of existing networks of MCCI and MTN Irancell can be minimized and by doing so, endeavor to avoid undue impacts on the access of the people of Iran to humanitarian items/basic services such as telecommunications.

In some instances, Ericsson has had to arrange performance bonds or similar financial guarantees to secure Ericsson's performance of obligations under the commercial agreements Ericsson has entered into relating to the business in Iran. In such instances, Ericsson usually engages its banks outside Iran, who in turn engage local banks in the country.

These local banks include Tejarat Bank, Melli Bank, Parsian Bank and Saderat Bank. Although some bonds and guarantees are still in place, no new performance bonds or similar guarantees involving these four banks with respect to Ericsson's business activities in Iran were issued during 2018. During the first quarter of 2018, payment was made by Ericsson, via one of Ericsson's banks outside Iran, to Bank Mellat, under a previously issued performance bond.

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During 2018, existing bank guarantees issued by Bank Mellat, Maskan Bank, Parsian Bank, Post Bank of Iran and Tejarat Bank (local banks in Iran) to cover Ericsson's obligations under customer contracts or tender rules were extended in time. Further, some payments made to Ericsson's local subsidiary and payments required to be made by the local subsidiary to suppliers involve banks that may be controlled by the government of Iran. Ericsson also received payments from customers in Iran to Ericsson's accounts outside Iran.

**C. Organizational Structure**

The following list shows certain shareholdings owned directly and indirectly by our parent company as of December 31, 2018. A complete list of shareholdings, prepared in accordance with the Swedish Annual Accounts Act and filed with the Swedish Companies Registration Office (Bolagsverket), may be obtained upon request to: Telefonaktiebolaget LM Ericsson, External Reporting, SE-164 83 Stockholm, Sweden.

**Shares owned directly by the Parent Company**

Company	Reg. No.	Domicile	Percentage of local ownership	Par value in million	Carrying value, SEK million
<b>Subsidiary companies</b>					
Ericsson AB	556056-6258	Sweden	100	50	20,731
Ericsson Shared Services AB	556251-3266	Sweden	100	361	2,216
Netwise AB	556404-4286	Sweden	100	2	306
Datacenter i Rosersberg AB	556895-3748	Sweden	100		88
Datacenter i Mjärdevi Aktiebolag	556366-2302	Sweden	100	10	69
AB Aulis	556030-9899	Sweden	100	14	6
Ericsson Credit AB	556326-0552	Sweden	100	5	5
Other (Sweden)					1,494
Ericsson Austria GmbH		Austria	100	4	94
Ericsson Danmark A/S		Denmark	100	90	216
Oy LM Ericsson Ab		Finland	100	13	196
Ericsson Participations France SAS		France	100	26	524
Ericsson Germany GmbH		Germany	100		4,232
Ericsson Hungary Ltd.		Hungary	100	1,301	120
L M Ericsson Limited		Ireland	100	4	34
Ericsson Telecomunicazioni S.p.A.		Italy	100	44	3,857
Ericsson Holding International B.V.		The Netherlands	100	222	3,200
Ericsson A/S		Norway	100	75	114
Ericsson Television AS		Norway	100	161	270
Ericsson Corporatia AO		Russia	100	5	5
Ericsson España S.A.		Spain	100	43	14
Ericsson AG		Switzerland	100		
Ericsson Holdings Ltd.		United Kingdom	100	328	1,994
Other (Europe, excluding Sweden)					681
Ericsson Holding II Inc.		United States	100	2,897	25,907

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Compañía Ericsson S.A.C.I.	Argentina	95 <sup>1)</sup>	41	15
Ericsson Canada Inc.	Canada	100	8	51
Belair Networks	Canada	100	108	170
Ericsson Telecom S.A. de C.V.	Mexico	100	939	1,050
Other (United States, Latin America)				88



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<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>	<b>Par value in local currency, million</b>	<b>Carrying value, SEK million</b>
Teleric Pty Ltd.		Australia	100	20	100
Ericsson Ltd.		China	100	2	2
Ericsson (China) Company Ltd.		China	100	65	475
Ericsson India Private Ltd.		India	67 <sup>3)</sup>	364	82
Ericsson India Global Services PVT. Ltd		India	100	291	51
Ericsson Media Solutions Ltd		Israel	100	9	51
Ericsson-LG CO Ltd.		Korea	75	285	2,279
Ericsson (Malaysia) Sdn. Bhd.		Malaysia	70	2	4
Ericsson Telecommunications Pte. Ltd.		Singapore	100	2	1
Ericsson South Africa PTY. Ltd		South Africa	70		135
Ericsson Taiwan Ltd.		Taiwan	90	270	36
Ericsson (Thailand) Ltd.		Thailand	49 <sup>2)</sup>	90	17
Other countries (the rest of the world)					221

**Total** **71,201**

**Joint ventures and associated companies**

Concealfab Co		USA	29	7	64
ST-Ericsson SA		Switzerland	50	137	
Rockstar Consortium Group		Canada	21	1	
Ericsson Nikola Tesla d.d.		Croatia	49	65	330

**Total** **394**

1) Through subsidiary holdings, total holdings amount to 100% of Compania Ericsson S.A.C.I.

2) Through subsidiary holdings, total holdings amount to 100% of Ericsson (Thailand) Ltd.

3) Through subsidiary holdings, total holdings amount to 100% of Ericsson India Private Ltd.

**Shares owned by subsidiary companies**

<b>Company</b>	<b>Reg. No.</b>	<b>Domicile</b>	<b>Percentage of ownership</b>
<b>Subsidiary companies</b>			
Ericsson Cables Holding AB	556044-9489	Sweden	100
Ericsson France SAS		France	100
Ericsson Telekommunikation GmbH <sup>1)</sup>		Germany	100
Ericsson Telecommunicatie B.V.		The Netherlands	100
Ericsson Telekomunikasyon A.S.		Turkey	100
Ericsson Ltd.		United Kingdom	100
Creative Broadcast Services Holdings Ltd.		United Kingdom	100

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Ericsson Inc.	United States	100
Ericsson Wifi Inc.	United States	100
Redback Networks Inc.	United States	100
Telcordia Technologies Inc.	United States	83
Ericsson Telecomunicações S.A.	Brazil	100
Ericsson Australia Pty. Ltd.	Australia	100
Ericsson (China) Communications Co. Ltd.	China	100
Nanjing Ericsson Panda Communication Co. Ltd.	China	51
Ericsson Japan K.K.	Japan	100
Ericsson Communication Solutions Pte Ltd.	Singapore	100

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- 1) Disclosures Pursuant to Section 264b of the German Commercial Code (Handelsgesetzbuch – HGB) Applying Section 264b HGB, Ericsson Holding GmbH and Ericsson Telekommunikation GmbH, located in Frankfurt am Main/Germany, are exempted from the obligation to prepare, have audited and disclose financial statements and a management report in accordance with the legal requirements being applicable for German corporations.

**D. Property, Plant and Equipment**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The business

CEO comment

Sustainability and corporate responsibility

Segments

Networks

Sustainability focus

Digital Services

Sustainability focus

Managed Services

Sustainability focus

Emerging Business and Other

Sustainability focus

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Note C3 Leasing

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Regulatory, Compliance and Corporate Governance risks

Sustainability

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## Sustainability Management

## Significant topics and risk management

**Primary manufacturing and assembly facilities**

We continuously adjust our production capacity to meet expected customer demand. During 2018, our overall capacity utilization was around 75%.

The table below summarizes where we have major sites and the total floor space at year-end. All facilities are leased. The majority of the floor space within our production facilities is used for assembly.

	2018		2017		2016		2015	
	Sites	Thousands of sq meters *	Sites	Thousands of sq meters *	Sites	Thousands of sq meters *	Sites	Thousands of sq meters *
Sweden	1	5	1	5	4	21.3	4	21.3
China	1	13.9	1	10	2	13	2	13
Estonia	1	8	1	6	1	6	1	6
Brazil	1	4.3	1	4.5	1	4.5	1	4.5
Mexico	0	0	0	0	1	0.8	1	0.8
India	0	0	0	0	1	10.8	1	10.8
<b>Total</b>	<b>4</b>	<b>31.2</b>	<b>4</b>	<b>25.5</b>	<b>10</b>	<b>56.4</b>	<b>10</b>	<b>56.4</b>

\* Floor space in square meters does not include any warehouses or transportation areas.

**ITEM 4A. Unresolved Staff Comments**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS****A. Operating Results**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The business

Ericsson in brief

This is Ericsson

Business Model

Strategy and financial targets

Segments

Other information

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Board of Directors' report

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Business results – Segments

Business results – Market Areas

Risk management

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Note A1 – Significant accounting policies

Note F1 – Financial risk management – Foreign exchange risk

Risk Factors

Market, technology and business risks

Regulatory, Compliance and Corporate Governance risks

***Operating results for the years ended December 31, 2016 and 2017***

**Full-year highlights**

Reported sales decreased by 7% to SEK 205.4 (220.3) billion with a decline in all segments. IPR licensing revenues amounted to SEK 8.3 (10.3) billion.

Operating income declined to SEK 34.7 (5.2) billion, mainly due to write-down of assets as well as provisions and customer project adjustments.

Cash flow from operating activities was SEK 9.6 (14.0) billion. Free cash flow amounted to SEK 5.1 (0.3) billion. Net cash at year-end was SEK 34.7 (31.2) billion.

The Board of Directors approved a dividend for 2017 of SEK 1.00 (1.00) per share at the AGM.

### **Business in 2017**

In 2017, net sales decreased by 7% with a decline in all segments as described in more detail below. The sales decrease in Networks was mainly due to lower demand for radio access network equipment. The sales decrease in Digital services and Other was mainly due to lower sales of legacy products. The sales decline in Managed Services was mainly due to a renewed contract in North America in 2016 that was reduced in scope.

IPR licensing revenues were SEK 8.3 (10.3) billion.

In 2017 a focused business strategy was set and a new organizational structure was implemented. In addition, the company initiated a cost saving program with the target to reduce annual cost by SEK 10 billion by mid 2018. Together, this resulted in significant restructuring charges of SEK 8.5 ( 7.6) billion.

Due to technology and portfolio shifts, the company has reduced the capitalization of development expenses for product platforms and software releases and the deferral of hardware costs. As a consequence, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income of SEK 2.9 (3.8) billion.



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Operating income was SEK 34.7 - (5.2) billion.

Ericsson delivered a full-year cash flow from operating activities of SEK 9.6 (14.0) billion. Free cash flow amounted to SEK 5.1 (0.3) billion. Net cash at year end was SEK 34.7 (31.2) billion.

**Financial highlights****Net sales**

Reported sales decreased by SEK 14.9 billion or 7%, with a SEK 7.8 billion or 6% decrease in Networks, SEK 4.0 billion or 9% decrease in Digital Services, SEK 2.3 billion or 8% in Managed Services and SEK 0.8 billion or 9% in segment Emerging Business and Other. The sales decrease in Networks was mainly due to lower demand for radio access network (RAN) equipment, which was estimated by an external source to decline by 8% for full-year 2017. The sales decrease in segments Digital Services and Emerging Business and Other was mainly due to lower sales of legacy products. The sales decline in Managed Services was mainly due to a renewed contract in North America in 2016 that was reduced in scope.

IPR licensing revenues amounted to SEK 8.3 (10.3) billion. The revenues in 2016 were positively impacted by two signed contracts which included certain one-time items. The baseline for the current IPR licensing contract portfolio is approximately SEK 7 billion on an annual basis.

The sales mix by commodity was: software 21% (22%), hardware 35% (33%) and services 44% (45%).

**Gross margin**

Gross margin declined to 23.3% (29.6%) due to provisions and customer projects adjustments, write-down of assets and lower IPR licensing revenues at SEK 8.3 (10.3) billion. In addition, restructuring charges included in the gross margin increased to SEK 5.2 ( 3.5) billion.

Due to technology and portfolio shifts, the company has reduced the capitalization of development expenses for software releases and the deferral of hardware costs. As a consequence, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on gross income of SEK 2.6 ( 0.5) billion.

**Operating expenses**

Operating expenses increased to SEK 70.6 ( 60.5) billion, mainly as a result of provisions and customer project adjustments and write-down of assets. In addition, operating expenses increased due to higher amortized than capitalized development expenses with a negative effect on operating expenses of SEK 0.3 (4.3) billion. Operating expenses included restructuring charges of SEK 3.3 ( 4.1) billion of which the sale of the global ICT center in Montreal generated a restructuring charge of SEK 1.3 billion.

**Other operating income and expenses**

Other operating income was SEK 1.2 (2.0) billion. In 2017, the power modules business was divested, which resulted in a gain of SEK 0.3 billion. Other operating expenses declined to SEK 13.3 ( 1.6) billion negatively impacted by write-down of goodwill. As of 2017, the funding of foreign exchange forecast hedging is managed through foreign exchange loans (USD) instead of foreign exchange derivatives. Therefore, revaluation and realization effects are

included in financial expenses instead of other operating income and expenses. In 2016, the currency hedge contract effects impacted other operating income and expenses by SEK 0.9 billion.

### **Restructuring charges and cost savings**

Restructuring charges amounted to SEK 8.5 ( 7.6) billion. This was lower than the earlier estimate of SEK 9 10 billion. The restructuring charges mainly relate to cost savings. The target is to implement such savings with an annual run rate effect of at least SEK 10 billion by mid-2018. Approximately 30% of the cost savings are targeted at administrative expenses and 70% at cost of sales.

Total restructuring charges for 2018 are estimated to be SEK 5 7 billion.

### **Consequences of technology and portfolio shifts**

Due to technology and portfolio shifts the company is reducing the capitalization of development expenses for product platforms and software releases and the deferral of hardware costs. As a consequence, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income.

**Table of Contents****Impact from amortization and capitalization of development expenses and from recognition and deferral of hardware costs**

<b>SEK billion</b>	<b>2017</b>	<b>2016</b>
Cost of sales	2.6	0.5
R&D expenses	0.3	4.3
Total impact on operating income	2.9	3.8

**Operating income (loss)**

Operating income (loss) decreased to SEK 34.7 (5.2) billion, mainly due to write-down of assets of SEK, provisions and customer project adjustments and lower sales.

In addition, higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs had a negative impact on operating income of SEK 2.9 (3.8) billion.

Operating margin was 16.9% (2.4%).

**Financial net**

The financial net improved to SEK 1.2 ( 2.3) billion, mainly due to lower negative effects of foreign exchange revaluation. Lower interest rates partly offset the improvement. New borrowings have been signed on more favorable terms and risk reduction, in both currency exchange and interest rates, has been improved in 2017.

The currency hedge effects, which derive from the hedge loan balance in USD, impacted financial net by SEK 0.5 billion. The SEK has strengthened against the USD between December 31, 2016 (SEK/USD rate 9.06) and December 31, 2017 (SEK/USD rate 8.20).

**Taxes**

Taxes were SEK 3.5 ( 1.9) billion following the negative net income. The effective tax rate was 10%, negatively impacted by non-deductible expenses (mainly goodwill impairment), by revaluation of deferred tax assets due to the change in U.S. corporate income tax rate, and by an allowance related to certain Swedish tax assets.

**Net income (loss) and EPS**

Net income (loss) decreased to SEK 32.4 (1.0) billion, for the same reasons as for the decrease in operating income. EPS diluted was SEK 9.94 (0.25) and EPS (non-IFRS) was SEK 3.24 (2.39).

**Employees**

The number of employees on December 31, 2017 was 100,735, a net reduction of more than 10,000 employees in 2017.

**Business results Segments****Networks**

Networks represented 64% (64%) of net sales in 2017. The segment delivers products and services that are needed for mobile and fixed communication, several generations of radio networks and transmission networks.

#### Net sales

Sales as reported decreased by 6% YoY to SEK 132.3 (140.1) billion.. The decrease was mainly due to lower operator investments in mobile broadband, both products and services. In addition, the IPR licensing business declined to SEK 6.8 (8.4) billion.

#### Gross margin

Gross income decreased to SEK 43.4 (46.2) billion and gross margin decreased to 32.8% (33.2%). The gross margin decrease was mainly due to provisions and customer project adjustments made in the year. Higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs, together amounting to SEK 1.5 (0.2) billion, also had a negative impact on gross margin. This is a consequence of technology and portfolio shifts. Gross margin was positively impacted by higher hardware margins.

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### Operating income

Operating income decreased to SEK 10.5 (16.7) billion due to lower sales with lower IPR licensing revenues, provisions and customer project adjustments, write-down of assets made in the year as well as increased operating expenses. The higher operating expenses are partly due to the strategic decision to increase investments in Networks R&D. Higher amortization than capitalization of development expenses and higher recognition than deferral of hardware costs together amounted to SEK 1.5 (1.0) billion. Restructuring charges were SEK 4.8 (3.4) billion. Operating margin decreased to 7.9% (11.9%).

### **Digital Services**

Digital Services represented 19% (19%) of net sales in 2017. The segment is providing solutions for operators' digital transformation journeys across the support systems BSS and OSS, Telecom Core, and IT Cloud domains through a combination of products, technology and expertise in networks, software, cloud, and business processes.

### Net sales

Sales as reported decreased by 9% to SEK 38.8 (42.8) billion, due to lower sales of legacy products and related services, primarily in OSS, BSS and Packet Core. IPR and licensing revenues declined to SEK 1.5 (1.8) billion.

### Gross margin

Gross income declined to SEK 4.7 (15.6) billion and gross margin decreased to 12.1% (35.0%). The gross margin decrease was mainly due to write-down of assets as well as provisions and customer project adjustments. In addition, there was a negative impact from higher costs in ongoing large transformation projects and from reduced sales of legacy products including related services.

### Operating income (loss)

Operating income (loss) declined to 27.3 (7.1) billion, mainly due to write-down of assets as well as provisions and customer project adjustments. In addition, operating income was negatively impacted by lower gross margin and lower sales.

The full-year negative impact of higher amortized than capitalized development expenses was SEK 1.3 (2.1) billion. This was partly offset by cost reductions, impacting both R&D and selling and administrative expenses. Restructuring charges were SEK 2.5 (3.2) billion. Operating margin declined to 70.4% (15.3%).

### **Managed Services**

Managed Services represented 13% (13%) of net sales in 2017. The segment delivers managed services and network optimization to telecom operators. Through these offerings, customers entrust Ericsson to run the operations of their network/IT systems and optimize network performance.

### Net sales

Sales as reported decreased by 8% to SEK 26.5 (28.8) billion, mainly a result of the earlier communicated rescope of Managed Services Networks contract in North America. In addition, sales were negatively impacted by completion of 23 contracts, out of the 42 identified to be exited, renegotiated or transformed. Sales in Managed Services IT showed

good growth.

#### Gross margin

Gross income declined to SEK 1.6 (1.2) billion. Gross margin was 5.9% (4.0%), negatively affected by provisions and customer project adjustments as well as an asset write-down made in the year. In addition, gross margin was negatively impacted by lower sales and negative development in contracts identified to be exited, renegotiated or transformed.

#### Operating income (loss)

Operating income (loss) decreased to SEK 4.1 ( 0.3) billion due to lower sales, reduced gross margin and increased operating expenses. Restructuring charges amounted to SEK 0.7 ( 0.4 ) billion. Operating margin was 15.4% ( 1.7%).

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### **Emerging Business and Other**

Segment Emerging Business and Other represented 4% (4%) of net sales in 2017. The segment consists of four businesses; Media solutions, Red Bee Media, Emerging business and iconectiv.

#### Net sales

Sales as reported decreased by 9% to SEK 7.9 (8.7) billion, due to lower sales in Media Solutions, where sales of legacy products and related services declined. Red Bee Media sales declined by 8% YoY, due to renegotiations and scope changes of contracts. The decline was partly offset by growth in Emerging-Business and iconectiv.

#### Gross margin

Gross income declined to SEK 1.4 (2.2) billion and gross margin decreased to 17.5% (25.5%). The gross margin decrease was mainly due to write-down of assets.

#### Operating income (loss)

Operating income (loss) declined to 13.8 ( 4.0) billion, mainly due to write-down of intangible assets and goodwill. Operating income (loss) excluding asset write-downs declined, mainly due to increased investments in Emerging Business, higher amortized than capitalized development expenses of SEK 0.1 (0.7) billion and lower sales. The decline was partly offset by cost reductions in both Media Solutions and Red Bee Media. Restructuring charges amounted to SEK 0.5 ( 0.6 ) billion. Operating margin was 175.7% ( 46.2%).

### **Business results Market areas**

#### **South East Asia, Oceania and India**

Sales declined due to lower mobile broadband investments in Thailand, Indonesia and India. Growth in Digital Services was driven by growth in Australia, Singapore and Indonesia, mainly related to core network solutions.

#### **North East Asia**

Sales in Mainland China declined due to reduced LTE investments. Sales in Taiwan declined following a new network deployment for one operator in 2016. The markets in Korea and Japan stabilized and Ericsson increased its market share in Japan.

#### **North America**

North America sales increased with increased networks sales, driven by expansions to cater for increased data traffic. The increase was partly offset by lower managed services sales due to a renegotiated large managed services contract with reduced scope.

#### **Europe and Latin America**

Sales declined, mainly due to timing of major projects in Mexico and termination of a large contract in Italy. In addition, capex constraints in mobile broadband in Europe impacted sales negatively, as operators focus investments in fixed infrastructure. The decline was partially offset by network modernizations in Brazil.

**Middle East and Africa**

Sales declined in a challenging macroeconomic environment with cautious investments in broadband. Digital Services sales declined slightly. Managed Services sales declined due to effects of completed contract reviews.

**Other<sup>1)</sup>**

Sales declined due to lower IPR licensing revenues and lower sales in Media Solutions, where sales of legacy products and related services declined. IPR licensing revenues amounted to SEK 8.3 (10.3) billion. IPR licensing revenues in 2016 were positively impacted by two signed contracts which included certain one-time items.



**Table of Contents****Sales per market area and segment 2017 and percent change from 2016**

SEK million	Networks		Digital Services		Managed Services		Emerging Business and Other		Total	
	2017	Change	2017	Change	2017	Change	2017	Change	2017	Change
South East Asia, Oceania and India	23.4	2%	4.8	9%	3.2	4%	0.0	60%	31.3	0%
North East Asia	16.2	13%	5.5	19%	1.9	23%	0.0	56%	23.6	13%
North America	40.6	7%	8.0	+1%	3.2	47%	0.1	34%	52.0	0%
Europe and Latin America	30.2	12%	12.1	17%	14.1	4%	0.3	155%	56.8	9%
Middle East and Africa	14.1	13%	6.8	3%	4.0	5%	0.0	2200%%	25.0	9%
Other <sup>1)</sup>	7.7	19%	1.6	26%			7.4	13%	16.7	17%
<b>Total</b>	<b>132.3</b>	<b>6%</b>	<b>38.8</b>	<b>9%</b>	<b>26.5</b>	<b>9%</b>	<b>7.9</b>	<b>9%</b>	<b>205.4</b>	<b>7%</b>
Share of total	64%		19%		13%		4%		100%	

1) Market Area Other includes licensing revenues, the majority of segment Emerging Business and Other.

**B. Liquidity and Capital Resources**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

## Financials

## Board of Directors report

Financial highlights Cash flow

Financial highlights Financial position

Financial highlights Seasonality

Financial highlights Capital expenditures

Notes to the consolidated financial statements

Note B9 Other current liabilities

Note D2 Contingent liabilities

Note F4 Interest-bearing liabilities

Note F1 Financial risk management

Note H3 Statement of cash flows

See Item 8.B. Financial Information Significant Changes herein.

**Balance sheet and other performance indicators for the years ended December 31, 2016 and 2017**

**Cash flow**

Cash flow from operating activities was SEK 9.6 (14.0) billion. The decline was due to lower income and increased cash outlays related to restructuring charges. The cash flow was supported by a reduction of operating assets. Cash outlays related to restructuring charges were SEK 5.3 ( 2.4) billion.

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Cash flow from investing activities was impacted by investments and sale of property, plant and equipment with a net effect of SEK 2.9 ( 5.6) billion. In addition, product development decreased by SEK 1.4 ( 4.5) billion due to reduced capitalization of product platform development following technology shifts. The cash flow was supported by the sale of Power Modules and the ICT center in Montreal.

Cash flow from financing activities was positive at SEK 5.5 ( 11.7) billion due to increased net borrowings of SEK 8.6 billion. Dividends of SEK 3.4 (12.3) billion were paid out.

The increased focus on free cash flow and release of working capital, in combination with low investing activities, resulted in a free cash flow of SEK 5.1 (0.3) billion. The more even distribution of cash flow over the year and the amount of free cash flow mark a clear improvement over 2016. For the first time in five years, the full-year free cash flow exceeded dividend payout.

## **Financial position**

Gross cash increased to SEK 67.7 (57.9) billion and net cash increased to SEK 34.7 (31.2) billion. Post-employment benefits increased by SEK 1.3 billion due to decreased discount rates and normal service cost, offset by returns on pension assets.

The average maturity of long-term borrowings as of December 31, 2017, was 4.4 years, compared with 3.8 years 12 months earlier. Ericsson has an unutilized Revolving Credit Facility of USD 2.0 billion. The facility will expire in 2022. In 2017, Ericsson concluded the following financing activities to strengthen the balance sheet and extend the average debt maturity profile:

Issue of one EUR 500 million 4-year bond

Issue of one EUR 500 million 7-year bond

Repayment of one EUR 500 million bond at maturity date.

The company received a USD 200 million payment relating to Francisco Partners' investments for a 16.7% ownership in Ericsson's independent subsidiary iconectiv. Due to the structure of the investment, IFRS accounting standards stipulate that the main part of the USD 200 million should be treated as borrowings, non-current.

Ericsson raised USD 220 million from the Nordic Investment Bank (NIB) and USD 150 million from the Swedish Export Credit Corporation (SEK). The credit agreements mature in 2023 and 2025 respectively. Of these new funds, USD 98 million replaced a credit with NIB that was set to mature in 2019.

In 2017, Standard & Poor's downgraded Ericsson's long-term rating from BBB with negative outlook to BB+ with stable outlook.

Moody's downgraded Ericsson's long-term rating from Baa3 with negative outlook to Ba2 with negative outlook.

**Intangible assets**

The amount of intellectual property rights and other intangible assets amounted to SEK 32.0 (51.1) billion, including goodwill of SEK 27.8 (43.4) billion. The goodwill impairment testing was based on the new segments that became effective as per October 1, 2017 and resulted in a write-down of goodwill of SEK 13.0 billion triggered by the implementation of the focused business strategy and new organizational structure.

**Research and development, patents and licensing**

In 2017, R&D expenses amounted to SEK 37.9 (31.6) billion. The increase is mainly due to higher amortized than capitalized development expenses with a negative effect of SEK 0.3 (4.3) billion and write-down of assets. The number of R&D resources were 23,600. The number of patents continued to increase and amounted to approximately 45,000 by end of 2017.

**Research and development, patents and licensing**

	<b>2017</b>	<b>2016</b>
Expenses (SEK billion)	37.9	31.6
As percent of Net sales	18.48%	14.4%
Employees within R&D as of December 31 <sup>1)</sup>	23,600	24,100
Patents <sup>1)</sup>	45,000	42,000
IPR revenues, net (SEK billion)	8.3	10.3

1) The number of employees and patents are approximate.

**Table of Contents****Seasonality**

The Company's sales, income cash flow from operations vary and between quarters, and are generally lowest in the first quarter of the year and highest in the fourth quarter. This is mainly a result of the seasonal purchase-patterns of network operators

**Off-balance sheet arrangements**

There are currently no material off-balance sheet arrangements that have, or would be reasonably likely to have, a current or anticipated material effect on the Company's financial condition, revenues, expenses, result of operations, liquidity, capital expenditures or capital resources.

**Capital expenditures**

For 2017, capital expenditure was SEK 3.9 (6.1) billion, representing 1.9% of sales. Expenditures are largely related to test sites and equipment for R&D, network operation centers and manufacturing and repair operations.

Ericsson believes that the Company's property, plant and equipment and the facilities the Company occupies are suitable for its present needs.

Annual capital expenditures are normally around 2% of sales. This corresponds to the needs for keeping and maintaining the current capacity level. The Board of Directors reviews the Company's investment plans and proposals.

As of December 31, 2017, no material land, buildings, machinery or equipment were pledged as collateral for outstanding indebtedness.

**Capital expenditures 2016 2017**

<b>SEK billion</b>	<b>2017</b>	<b>2016</b>
Capital expenditures	3.9	6.1
<i>Of which in Sweden</i>	1.5	2.0
Share of annual sales	1.9%	2.8%

**C. Research and Development, Patents and Licenses**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The business

Business Model

Strategy and financial targets

Segments

**D. Trend Information**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The Business

This is Ericsson

CEO comment

Strategy and financial targets

See Item 8.B. Financial Information Significant Changes herein.

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**E. Off-Balance Sheet Arrangements**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Financial highlights - Off-balance sheet arrangements

Notes to the consolidated financial statements

Note A1 - Significant accounting policies

Note F1 Financial Risk Management

Note D2 Contingent liabilities

**F. Tabular Disclosure of Contractual Obligations**

The information set forth under the section Financials - Notes to the consolidated financial statements - Note D4 Contractual obligations of the 2018 Swedish Annual Report is incorporated herein by reference.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2018

Members of the Board of Directors

Members of the Executive Team

See Item 8.B. Financial Information Significant Changes herein.

## **B. Compensation**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Corporate governance Remuneration

Notes to the consolidated financial statements



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Note G1 Post-employment benefits

Note G2 Information regarding members of the Board of Directors and Group management

Note G3 Share-based compensation

Corporate Governance

Corporate Governance report 2018

Remuneration to Board members

Remuneration report

See Item 8.B. Financial Information Significant Changes herein.

**C. Board Practices**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials

Notes to the consolidated financial statements

Note G2 Information regarding members of the Board of Directors and Group management Comments to the table

Corporate Governance

Corporate Governance report 2018

Board of Directors Composition of the Board of Directors and diversity

Committees of the Board of Directors    Audit and Compliance Committee

Committees of the Board of Directors    Remuneration Committee

Remuneration report

The Remuneration Committee

See Item 8.B. Financial Information    Significant Changes    herein.

#### **D. Employees**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors    report

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Financial Highlights Employees

Notes to the Consolidated financial statements

Note G4 Employee Information

Other information

Five-year summary Statistical data, year-end

We consider that our relationship with the labor unions that represent our employees is good.

**Number of employees by market area at year-end**

	<b>2018</b>	<b>2017</b>
South East Asia, Oceania and India	23,959	24,495
North East Asia	12,788	12,456
North America	9,727	10,009
Europe and Latin America 1) 2)	44,621	49,231
Middle East and Africa	4,264	4,544
<b>Total</b>	<b>95,359</b>	<b>100,735</b>
<i>1) Of which in Sweden</i>	<i>12,502</i>	<i>13,864</i>
<i>2) Of which in EU</i>	<i>35,268</i>	<i>39,508</i>

**E. Share Ownership**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Share information

The Ericsson share Shareholders

Corporate Governance

Corporate Governance report 2018

Shareholders

Members of the Board of Directors

Members of the Executive Team

Remuneration report

Total remuneration in 2018

Financials - Notes to the consolidated financial statements

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Note G2 Information regarding members of the Board of Directors and Group management

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2018

Shareholders

Share information

The Ericsson share

Shareholders

**B. Related Party Transactions**

The information set forth under the section Financials- Notes to the consolidated financial statements- Note H4 Related party transactions of the 2018 Swedish Annual Report is incorporated herein by reference.

**C. Interests of Experts and Counsel.**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information.**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials

Board of Directors report

Legal proceedings

Parent Company Proposed disposition of earnings

Consolidated financial statements

Notes to the consolidated financial statements

Report of independent registered public accounting firm

Other information

Five-year summary Statistical data, year-end

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See Item 8.B. Financial Information – Significant Changes , Item 10.B. Memorandum and Articles of Association – Dividends and Item 17. Financial Statements , herein.

Refer also to item 8.B herein

## **B. Significant Changes**

### **Ericsson announces change to the Executive Team**

On 16 January 2019, Ericsson announced that Helena Norrman, Senior Vice President, Chief Marketing and Communications Officer and Head of Marketing and Corporate Relations, has decided to leave Ericsson to pursue opportunities outside the company. She will leave her position no later than June 30, 2019.

### **Ericsson completes divestment of majority stake in MediaKind**

On February 1, 2019, Ericsson announced it had closed the divestment of the MediaKind business to the private equity firm One Equity Partners. One Equity Partners became majority owner, while Ericsson has 49% of the shares after the transaction on January 31, 2019.

Ericsson anticipates that the transaction will generate a positive impact on operating income in Q1 2019 that with current visibility is estimated to SEK 0.4 – 0.6 billion and will be reported in Segment Emerging Business and Other.

As of February 1, 2019, Ericsson's 49% share of MediaKind results will be reported as share in earnings of JV and associated companies in segment Emerging Business and Other. MediaKind was in 2018 reported as part of segment Emerging Business and Other, as part of Ericsson Media Solutions.

### **Ericsson announces change to the Executive Team**

On 12 March 2019, Ericsson announced that Rafiah Ibrahim will leave her position as Senior Vice President and Head of Market Area Middle East & Africa and will take on a role as advisor to CEO Börje Ekholm.

### **Ericsson's Annual General Meeting**

On 27 March 2019, Ericsson held its Annual General Meeting in Stockholm, Sweden.

Decisions at the AGM 2019 included:

Payment of a dividend of SEK 1 per share

Re-election of Ronnie Leten as Chair of the Board of Directors

Re-election of other members of the Board of Directors: Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Eric A. Elzvik, Börje Ekholm, Kurt Jofs, Kristin S. Rinne, Helena Stjernholm and Jacob Wallenberg  
Approval of Board of Directors' fees:

Chair of the Board: SEK 4,075,000 (unchanged)

Other non-employee Board members: SEK 1,020,000 each (previously SEK 990,000)

Chair of the Audit and Compliance Committee: SEK 400,000 (previously SEK 350,000)

Other non-employee members of the Audit and Compliance Committee: SEK 250,000 each (unchanged)

Chairs of the Finance, Remuneration and Technology and Science Committees: SEK 200,000 each (unchanged)

Other non-employee members of the Finance, Remuneration and Technology and Science Committees: SEK 175,000 each (unchanged)

Approval for part of the Directors' fees to be paid in the form of synthetic shares

Re-election of PricewaterhouseCoopers AB as external auditor

Approval of Guidelines for remuneration to Group Management

Implementation of a Long-Term Variable Compensation Program 2019 for the members of the Executive Team

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offer and Listing Details**

The information set forth under the section "Share information - The Ericsson share - Share and ADS prices" of the 2018 Swedish Annual Report is incorporated herein by reference.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

The information set forth the section "Share information - The Ericsson Share - Share trading" of the 2018 Swedish Annual Report is incorporated herein by reference.

### **D. Selling Shareholders**

Not applicable.



**E. Dilution**

Not applicable.

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**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

Telefonaktiebolaget LM Ericsson is registered under no. 556016 0680 in the Company Register kept by the Swedish Companies Registration Office. Our Company's objective and purposes are described in article 2 of the Articles of Association, as follows: The objects of the Company are to, directly or indirectly, develop, construct, produce, sell and deliver and in other forms carry on trade and other commercial business related to goods, products and other equipment as well as maintenance and other services based on telecommunication and radio technology and other technologies for transference, transmission and other communications of speech, data, images, text, other kinds of information and means of payment and to carry on other activities consistent therewith.

Our Articles of Association do not stipulate anything regarding:

a director's power to vote on a proposal, arrangement, or contract in which the director is materially interested;

our directors' power to vote for compensation to themselves;

our directors' borrowing powers;

retirement rules for our directors; or

the number of shares required for a director's qualification.

Applicable provisions are found in the Swedish Companies Act (2005:551) (the Swedish Companies Act).

Other than being of legal age, there are no age limit restrictions for directors and they are not required to own any shares in the Company.

***Share Capital, Increases of Share Capital and Preferential Rights of Shareholders***

The Articles of Association of Ericsson provide that the share capital of the Company may not be less than SEK 6,000,000,000 nor more than SEK 24,000,000,000, and that the number of shares in the Company shall amount to no less than 3,000,000,000 and no more than 12,000,000,000. As of March 29, 2019, the registered share capital is SEK

16,670,758,678 and the Company has in total issued 3,334,151,735 shares.

The Company's shares are divided into three series: Class A shares, Class B shares and Class C shares; however, no Class C shares are currently outstanding. Under the Swedish Companies Act, shareholders must approve each issue of additional shares either by deciding on the share issue at a shareholders' meeting, or by a shareholders' approval of a decision on a share issue by the Board, or by giving an authorization to the Board to decide about a share issue. If we decide to issue new Class A, Class B or Class C shares by means of a cash issue, or an issue against payment through set-off of claims, Class A, Class B and Class C shareholders (except for Ericsson and its subsidiaries, in the event they hold shares in Ericsson) have a primary preferential right to subscribe for new shares of the same type in relation to the number of shares previously held by them. Shares not subscribed for through a preferential right shall be offered to all shareholders for subscription on a pro rata basis. If we decide to issue new shares of only one series by means of a cash issue or an issue against payment through set-off of claims, all shareholders, regardless of whether their shares are Class A, Class B or Class C, are entitled to a preferential right to subscribe for new shares in proportion to the number of shares previously held by them. Shareholders may vote to waive shareholders' preferential rights at a general meeting of shareholders.

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If we decide to issue warrants or convertibles through a cash issue or an issue against payment through set-off of claims, the shareholders have preferential rights to subscribe to warrants as if the issue were of the shares that may be subscribed to pursuant to the warrant and, respectively, preferential rights to subscribe to convertibles as if the issue were of the shares that the convertibles may be converted to.

The above does not constitute any restriction to waive the shareholders' preferential rights when deciding on either an issue of shares, warrants or convertibles by means of a cash issue or an issue against payment through set-off of claims.

## ***Dividends***

Our Class A and Class B shareholders have the same right to dividends. Class C shareholders do not have any right to dividends, as described in article 6 of our Articles of Association. No Class C shares are currently outstanding.

Under Swedish law, only a general meeting of shareholders may decide on payment of dividends, which may not exceed the amount proposed by the Board of Directors (except in certain limited circumstances), and may only be paid from funds legally available for that purpose. Under Swedish law, no interim dividends may be paid in respect of any fiscal period for which audited financial statements of the company have not yet been adopted by the annual general meeting of shareholders. The market practice in Sweden is most often for dividends to be paid annually. Under the Swedish Companies Act, dividends to shareholders and other transfers of value from a company such as purchases of its own shares (see below) may only be made in case the company's restricted equity remains fully covered after the transfer of value has been made. The calculation shall be based upon the most recently adopted balance sheet, and any changes in the restricted equity that has occurred after the balance sheet date shall be taken into account. In addition, dividends to shareholders and other transfers of value from the company may only be made if this is justifiable taking into account the type of business activities of the company, the scope and risks related thereto and the company's need for financial resources, its liquidity and financial position. In respect of parent companies, also the business activities of the group, their scope and risks related thereto and the group's need for financial resources, its liquidity and financial position shall be taken into account.

The Company's shares are registered in the computerized book-entry share registration system administered by Euroclear Sweden AB (Euroclear). The rights attached to shares eligible for dividends accrue to those persons whose names are recorded in the register of shareholders on the record day. The dividends are then sent to a specified account as directed by the person registered with Euroclear, or to the address of that person. The relevant record day must, in most circumstances, be specified in the resolution declaring a dividend or resolving upon a capital increase or any similar matter in which shareholders have preferential rights, or the Board of Directors must be authorized to determine the relevant record day.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and, on issues of shares with preferential rights for the shareholders, shares, as well as rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues. Specific authority to act as a nominee must be obtained from Euroclear. At the request of Euroclear, the nominee must provide information about all beneficial holders of shares to Euroclear. Euroclear is required to keep a register with regard to any holding on behalf of a single beneficial owner in excess of 500 shares in any one company. This list is prepared every third month and must reveal the names of the beneficial owner and be open to public inspection.

## ***Voting***

In a general meeting of shareholders of Ericsson, each Class A share shall carry one vote, each Class B share one tenth of one vote and each Class C share one-thousandth of one vote.

We are required to publish notices to attend annual general meetings no earlier than six weeks and no later than four weeks prior to the annual general meeting and the same notice period requirements apply regarding extraordinary general meetings concerning changes in our articles of association. Notices to attend other types of extraordinary general meetings at Ericsson must be published no earlier than six weeks and no later than three weeks prior to the general meeting.

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Directors are elected during the annual general meeting for a period of one year at a time and do not stand for reelection at staggered intervals.

A shareholder may attend and vote at the meeting in person or by proxy. For companies whose shares are registered in a central securities depository register, proxies are valid for up to five years from the date of issuance. Any shareholder wishing to attend a general meeting must notify us no later than on the day specified in the notice. We are required to accept all notifications of attendance received at least five business days (Saturdays normally included) prior to the meeting. A person designated in the register as a nominee (including the depository of the ADSs) is not entitled to vote at a general meeting, nor is a beneficial owner whose share is registered in the name of a nominee (including the depository of the ADSs) unless the beneficial owner first arranges to have such owner's own name entered in the register of shareholders maintained by Euroclear no later than the designated record day.

Under the Swedish Companies Act, elections are determined by a plurality vote. Resolutions, other than elections, are passed by a simple majority of votes cast at the meeting with the chairman of the meeting having a decisive vote, unless otherwise required by law or a company's articles of association. Under the Swedish Companies Act, certain resolutions require special quorums and majorities, including, but not limited to, the following:

- a) a resolution to amend the articles of association requires a majority of two-thirds of the votes cast as well as two-thirds of the shares represented at the meeting, except in those circumstances described in b) d) below;
- b) a resolution to amend the articles of association which reduces any shareholder's rights to profits or assets, restricts the transferability of shares or alters the legal relationship between shares, normally requires the unanimous approval of the shareholders present at the meeting and who hold nine-tenths of all outstanding shares;
- c) a resolution to amend the articles of association for the purpose of limiting the number of shares with which a shareholder may vote at a general meeting or allocating part of the net profit for the fiscal year to a restricted fund or limiting the use of the company's profits or assets in a liquidation or dissolution, normally requires the approval of shareholders representing two-thirds of the votes cast and nine-tenths of the shares represented at the meeting;
- d) a resolution of the kind referred to under B or C above may, however, be taken with a lower supermajority requirement if the amendments referred to therein will only adversely affect specific shares or classes of shares. In such cases, the requirement under a) above will apply together with the following separate supermajority: (a) where only a class of shares is adversely affected, approval of the owners of one-half of all shares of such class and nine-tenths of the shares of such class represented at the meeting, or (b) where the shares adversely affected do not constitute a class of shares, the unanimous approval of all such affected outstanding shares present at the meeting and who hold nine-tenths of all outstanding shares adversely affected;
- e) a resolution to issue, approve or authorize the issuance for cash of new shares, warrants or convertibles with a deviation from the preferential right for existing shareholders requires a two-thirds majority of votes cast at

the meeting as well as two-thirds of the shares represented at the meeting;

- f) a resolution to reduce the outstanding share capital requires a two-thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting. In case there are several classes of shares in a company, the above described majority requirement shall apply also within each share class represented at the meeting and for which the rights of the shares are adversely affected; and
- g) a resolution to approve a merger requires a two-thirds majority of the votes cast at the meeting and two-thirds of the shares represented at the meeting (however, under certain circumstances a higher majority is required).

At a general meeting of shareholders, a shareholder or proxy for one or more shareholders may cast full number of votes represented by the holder's shares.

### ***Purchase of Own Shares***

A Swedish public limited liability company whose shares are traded on a regulated market place within the European Economic Area ( EEA ) or a market place comparable to a regulated market place outside the EEA is entitled to purchase its own shares under certain conditions. A purchase by us of our own shares may take place only if

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(a) the purchase has been decided upon by a general meeting of shareholders or the Board has been authorized by a general meeting of shareholders, in both cases by a two thirds majority of votes cast at the meeting as well as two-thirds of the shares represented at the meeting, (b) the purchase is effected on a regulated market place within the EEA or a market place comparable to a regulated market place outside the EEA (in the latter case with the approval of the Swedish Financial Supervisory Authority the SFSA ) or pursuant to an offer to all shareholders or holders of a specific class of shares, (c) the Company's restricted equity will still be fully covered and the purchase is justifiable taken into account the type of business activities of the Company and the group, their scope and risks related thereto and the Company's and the group's need for financial resources, their liquidity and financial position, and (d) we and our subsidiaries do not hold or, as a result of purchase, will not hold in excess of 10% of all our outstanding shares. As of December 31, 2018, the Company held an aggregate of 37,057,039 treasury stock of Class B shares.

### ***Investment Restrictions***

There are no limitations imposed by Swedish law or by our Articles of Association in respect of the rights of non-residents or foreign persons to purchase, own or sell securities issued by us.

There are, however, certain flagging and ownership examination rules that apply, irrespective of nationality.

Pursuant to the Swedish Financial Instruments Trading Act any change in a holding of shares, depository receipts with voting rights or financial instruments that entitle the holder to acquire shares in issue in a Swedish limited liability company whose shares are admitted for trading on a regulated market place within the EEA shall be reported by the holder to the company and the SFSA, where the change entails that the holder's portion of all shares or votes in the company reaches, exceeds or falls below any of the limits of 5, 10, 15, 20, 25, 30, 50, 66 2/3 or 90 per cent. Such a change should, as a main rule, be reported not later than three trading days following the day on which the party with a duty to report has entered into an agreement for the acquisition or transfer of shares or any other change to the shareholding has occurred.

In addition, the EU Market Abuse Regulation requires, among other things, that the Company holds a register of all persons discharging managerial responsibilities and of persons closely associated with them. The Company and the SFSA must be notified of certain transactions conducted by the aforementioned persons. Such notifications shall be made no later than three business days after the date of the transaction.

### **C. Material Contracts**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials Board of Directors report

Material contracts

### **D. Exchange Controls**

There is no Swedish legislation affecting the import or export of capital or the remittance of dividends, interest or other payments to non-resident holders of our securities, except that, subject to the provisions in any tax treaty, dividends are subject to withholding tax.



## **E. Taxation**

### ***General***

The taxation discussion set forth below does not purport to be a complete analysis or listing of all potential tax effects relevant to the acquisition, ownership or disposition of Class B shares or ADSs. The statements of United States and Swedish tax laws set forth below are based on the laws in force as of the date of this report and may be subject to any changes in United States or Swedish law, and in any double taxation convention or treaty between the United States and Sweden, occurring after that date, which changes may then have retroactive effect.

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Specific tax provisions may apply for certain categories of taxpayers. Your tax treatment if you are a holder of Class B shares or ADSs depends in part on your particular situation. If you are a holder of Class B shares or ADSs, you should therefore consult a tax advisor as to the tax consequences relating to your particular circumstances resulting from the ownership of Class B shares or ADSs.

The tax consequences to holders of ADSs, as discussed below, apply equally to holders of Class B shares.

### ***Certain Swedish Tax Considerations***

This section describes the material Swedish income and net wealth tax consequences for a holder of ADSs or Class B shares who is not considered to be a Swedish resident for Swedish tax purposes. This section applies to you only if you are a holder of portfolio investments representing less than 10% of capital and votes and is not applicable if the ADSs or Class B shares pertain to a permanent establishment or fixed place of business in Sweden.

#### **Taxation on Capital Gains**

Generally, non-residents of Sweden are not liable for Swedish capital gains taxation with respect to the sale of ADSs or Class B shares. However, under Swedish tax law, capital gains from the sale of shares in Swedish companies and certain other securities by an individual may be taxed in Sweden at a rate of 30% if the seller has been a resident of Sweden or has lived permanently in Sweden at any time during the year of the sale or the 10 calendar years preceding the year of the sale (absent treaty provisions to the contrary). The provision is applicable to ADSs or Class B shares. From January 1, 2008, the rule has been extended so that it also applies to shares in foreign companies, provided that the shares were acquired during the time that the person was liable to tax in Sweden.

This provision may, however, be limited by tax treaties that Sweden has concluded with other countries. Under the tax treaty between Sweden and the United States (the U.S. Tax Treaty), this provision applies for ten years from the date the individual became a non-resident of Sweden.

#### **Taxation on Dividends**

A Swedish dividend withholding tax at a rate of 30% is imposed on dividends paid by a Swedish corporation, such as us, to non-residents of Sweden. The same withholding tax applies to certain other payments made by a Swedish corporation, including payments as a result of redemption of shares and repurchase of stock through an offer directed to its shareholders. Exemption from the withholding tax or a lower tax rate may apply by virtue of a tax treaty. Under the U.S. Tax Treaty, the withholding tax on dividends paid on portfolio investments to eligible U.S. holders is reduced to 15%.

Under all Swedish tax treaties, except the tax treaty with Switzerland, withholding tax at the applicable treaty rate should be withheld by the payer of the dividends. With regard to dividends paid from shares in corporations registered with the Euroclear Sweden (such as our shares), a reduced rate of dividend withholding tax under a tax treaty is generally applied at the source by the Euroclear Sweden or, if the shares are registered with a nominee, the nominee, as long as the person entitled to the dividend is registered as a non-resident and sufficient information regarding the tax residency of the beneficial owner is available to the Euroclear Sweden or the nominee.

In those cases where Swedish withholding tax is withheld at the rate of 30% and the person who received the dividends is entitled to a reduced rate of withholding tax under a tax treaty, a refund may be claimed from the Swedish tax authorities before the end of the fifth calendar year following the year that the distribution was made.

Taxation on Interest

No Swedish withholding tax is payable on interest paid to non-residents of Sweden.

Net Wealth Taxation

The Swedish net wealth tax has been abolished from January 1, 2007.

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**Table of Contents*****Certain United States Federal Income Tax Consequences***

The following discussion is a summary of the material United States federal income tax consequences relevant to the ownership and disposition of ADSs or Class B shares. This discussion is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) as in effect on the date hereof, all of which are subject to change, possibly with retroactive effect. The discussion is not a full discussion of all tax considerations that may be relevant to the ownership and disposition of ADSs or Class B shares, and does not address the Medicare tax on net investment income or the effects of any state, local or foreign tax laws. The discussion applies only if you will hold the ADSs and/or the Class B shares as capital assets and you use the USD as your functional currency. It does not deal with the tax treatment of investors subject to special rules, such as grantor trusts, real estate investment trusts, regulated investment companies, banks, brokers or dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of recording for their securities holdings, financial institutions, insurance companies, persons required to accelerate the recognition of any item of gross income with respect to our ADSs or Class B shares as a result of such income being recognized on an applicable financial statement, tax-exempt entities, investors liable for alternative minimum tax, holders (either actually or constructively) of 10% or more of the voting power or the value of our shares, persons holding ADSs and/or Class B shares as part of a hedging, straddle, conversion or constructive sale transaction and persons who are resident or ordinarily resident in Sweden. In addition, investors holding ADSs and/or Class B shares indirectly through partnerships are subject to special rules not discussed below. You should consult your own tax advisors about the United States federal, state, local and foreign tax consequences to you of the ownership and disposition of the ADSs or Class B shares.

The discussion below applies to you only if you are a beneficial owner of ADSs and/or Class B shares not resident in Sweden for purposes of the U.S. Tax Treaty and you are, for United States federal income tax purposes, (1) a citizen or resident of the United States, (2) a corporation or any other entity treated as a corporation that is organized in or under the laws of the United States or its political subdivisions, including the District of Columbia, (3) a trust if all of the trust's substantial decisions are subject to the control of one or more United States persons and the primary supervision of the trust is subject to a United States court, or if a valid election is in effect with respect to the trust to be taxed as a United States person, or (4) an estate the income of which is subject to United States federal income taxation regardless of its source.

The discussion below assumes that the representations contained in the deposit agreement governing the ADSs are true and that the obligations in the deposit agreement and any related agreement will be complied with in accordance with the terms. If you hold ADSs, you will be treated as the holder of the underlying Class B shares represented by those ADSs for United States federal income tax purposes.

**Dividends**

Subject to the passive foreign investment company rules discussed below, the gross amount of dividends paid (before reduction for any Swedish withholding taxes) with respect to the ADSs or Class B shares generally will be included in your gross income as ordinary income from foreign sources to the extent paid out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of your adjusted tax basis in the ADSs or Class B shares and thereafter as capital gain. The dividends will not be eligible for the dividends received deduction available to corporations in respect of dividends received from other U.S. corporations. The amount of any dividend paid in SEK will be the USD value of the dividend payment based on the exchange rate in effect on the date of receipt (or constructive receipt) by you, in the case of Class B shares, or by the depository, in the case of ADSs, whether or not the payment is converted into USD at that time. Your tax basis in the SEK received will equal such USD amount.

Gain or loss, if any, recognized on a subsequent sale or conversion of the SEK will be U.S. source ordinary income or loss.

If you are a non-corporate holder of ADSs or Class B shares, dividends you receive on the ADSs or Class B shares may be taxed at the lower applicable long-term capital gains rate provided that (1) we are not a passive foreign investment company (as discussed below) for either our taxable year in which the dividend was paid or the preceding taxable year, (2) certain holding period requirements are met, (3) you are not under any obligation to make related payments with respect to substantially similar or related property and (4) either (a) in the case of ADSs our ADSs continue to be listed on the Nasdaq Stock Market (or a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934, as amended) or (b) we are eligible for the benefits of the U.S. Tax Treaty. You should consult your own tax advisors regarding the availability of the lower rate for dividends paid with respect to ADSs or Class B shares.

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Subject to certain limitations, you will generally be entitled to receive credit against your United States federal income tax liability (or a deduction against your United States federal taxable income) with respect to any Swedish tax withheld in accordance with the U.S. Tax Treaty and paid over to Sweden. If a refund of the tax withheld is available to you under the laws of Sweden or under the U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for such credit against your United States federal income tax liability (and will not be eligible for the deduction in computing your United States federal taxable income). For foreign tax credit limitation purposes, dividends will be income from sources without the United States, and will generally be treated as passive category income (or, in the case of certain holders, general category income).

### Sale or Exchange of ADSs or Class B shares

Subject to the passive foreign investment company rules discussed below, you will generally recognize capital gain or loss on the sale or other disposition of the ADSs or Class B shares equal to the difference between the USD value of the amount realized and your adjusted tax basis (determined in USD) in the ADSs or Class B shares. Such gain or loss will generally be long-term capital gain or loss if you have held the ADSs or Class B shares for more than one year, and will generally be treated as arising from U.S. sources for foreign tax credit limitation purposes. If you are a non-corporate holder of ADSs or Class B Shares, long-term capital gains are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

The amount realized on a disposition of ADSs or Class B shares for cash will generally be the amount of cash you receive for the ADSs or Class B shares (which, in the case of payment in a non-U.S. currency, will equal the USD value of the payment received determined on (a) the date of receipt of payment if you are a cash basis taxpayer and (b) the date of disposition if you are an accrual basis taxpayer). If the ADSs or Class B shares are treated as traded on an established securities market and you are a cash basis taxpayer (or, if you are an accrual basis taxpayer, if you so elect), you will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

You will have a tax basis in any foreign currency received equal to the USD value thereof on the date of receipt. Any gain or loss you realize on a subsequent sale or conversion of foreign currency will be U.S. source ordinary income or loss.

### Passive Foreign Investment Company Status

A non-U.S. corporation is a passive foreign investment company (a PFIC) in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (a) at least 75% of its gross income is passive income or (b) at least 50% of the quarterly average value of its assets is attributable to assets that produce or are held to produce passive income. Based on the market value of our shares, the composition of our assets and income and our operations, we believe we were not a PFIC during the year 2018. However, whether or not we will be considered a PFIC will depend on the nature and source of our income and the composition and value of our assets, as determined from time to time. If we are treated as a PFIC, we will not provide information necessary for the qualified electing fund election as the term is defined in the relevant provisions of the Code. You should consult your own tax advisors about the consequences of our potential classification as a PFIC.

If we were classified as a PFIC with respect to your ADSs or Class B shares for any taxable year, we would generally continue to be a PFIC (unless certain conditions are met), and you would be subject to special rules with respect to:

any gain realized on the sale or other disposition of ADSs or Class B shares; or

any other excess distribution made to you (generally, any distributions to you in respect of ADSs or Class B shares during a single taxable year that are, in the aggregate, greater than 125% of the average annual distributions received by you in respect of ADSs or Class B shares during the three preceding taxable years or, if shorter, your holding period for ADSs or Class B shares).

Under these rules:

the gain or any other excess distribution would be allocated ratably over your holding period for ADSs or Class B shares;

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the amount allocated to the taxable year in which the gain or excess distribution was realized and any year before we became a PFIC would be taxable as ordinary income;

the amount allocated to each prior year, other than the current year and any taxable year prior to the first taxable year in which we were a PFIC, would be subject to tax at the highest applicable marginal tax rate in effect for each such year; and

an interest charge would be imposed.

If we are a PFIC for any taxable year, you will also be deemed to own shares in any of our subsidiaries that are also PFICs in such a year. As an alternative to the special rules described above, holders of marketable stock in a PFIC may elect mark-to-market treatment with respect to their ADSs or Class B shares. ADSs or Class B shares will not be considered marketable stock unless they are regularly traded on a qualified exchange or other market. If the mark-to-market election is available and you elect mark-to-market treatment you will, in general, include as ordinary income each year an amount equal to the increase in value of your ADSs or Class B shares for that year (measured at the close of your taxable year) and will generally be allowed a deduction for any decrease in the value of your ADSs or Class B shares for the year but only to the extent of previously included mark-to-market income. In addition, any gain you recognize upon the sale or other disposition of the ADSs or Class B shares will be treated as ordinary income and any loss will be treated as ordinary loss but only to the extent of previously included mark-to-market income. Any loss in excess of previously included mark-to-market income will be treated as a capital loss. However, a mark-to-market election would likely be unavailable with respect to your proportionate share in any of our subsidiaries that are PFICs.

If you own ADSs or Class B shares during any year in which we are a PFIC, you will generally be required to make an annual return on IRS Form 8621.

### Information Reporting and Backup Withholding

In general, information reporting requirements will apply to dividends paid in respect of ADSs or Class B shares and the proceeds received on the sale or exchange of the ADSs or Class B shares within the United States or by a broker with certain United States connections. Backup withholding may apply to payments to you of dividends paid in respect of ADSs or Class B shares or the proceeds of a sale or other disposition of ADSs or Class B shares if you fail to provide an accurate taxpayer identification number (certified on IRS Form W-9) or, upon request, to certify that you are not subject to backup withholding or otherwise to comply with the applicable requirements of the backup withholding rules. The amount of any backup withholding from a payment to you will be allowed as a credit against your United States federal income tax liability, and a refund of any excess amount withheld under the backup withholding rules may be obtained by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

### Additional Reporting Requirements

Certain holders who are individuals may be required to report information relating to an interest in ADSs or Class B shares, subject to certain exceptions (including an exception for ADSs or Class B shares held in accounts maintained by certain financial institutions). Holders should consult their tax advisors regarding the effects, if any, of these requirements on their ownership and disposition of ADSs or Class B shares.

## **F. Dividends and Paying Agents**



Not applicable.

**G. Statement by Experts**

Not applicable.

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**H. Documents on Display**

Annual reports and other information are filed with, or furnished to, the SEC in the United States, pursuant to the rules and regulations that apply to foreign private issuers. Electronic access to these documents may be obtained from the SEC's website, [www.sec.gov](http://www.sec.gov), where they are stored in the EDGAR database.

**I. Subsidiary Information**

See Item 4.C. Information on the Company - Organizational Structure.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

**A. Quantitative information about market risk**

The information set forth under the section Financials - Notes to the consolidated financial statements - Note F1 Financial risk management of the 2018 Swedish Annual Report is incorporated herein by reference.

**B. Qualitative information about market risk**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Financials - Board of Directors' report

Risk management

Notes to the consolidated financial statements

Note F1 Financial risk management

Corporate Governance

Corporate Governance report 2018

Management Risk management

**C. Interim periods**

Not applicable.

**D. Safe harbor**

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Not applicable.

**E. Small business issuers**

Not applicable.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**Table of Contents****B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares****Depository fees, charges and payments**

During 2018, an annual service fee of \$0.02 was charged per ADS, for the operation and maintenance costs in administering the ADS program. The Depository, Deutsche Bank Trust Company Americas ( Deutsche Bank ), established October 10, 2018 as the record date for payment of annual servicing fees. During 2018, an annual dividend fee of \$0.01 was charged per ADS. The Depository, Deutsche Bank, established April 3, 2018 as the record date for payment of the dividend fee.

***Fees and charges payable by ADS holders***

<b>Service</b>	<b>Rate</b>	<b>By whom paid</b>
1) Deposit of shares and issuance of receipts	Up to USD 5 per 100 American Depositary Shares or fraction thereof	Party to whom receipts are issued
2) Delivery of deposited shares against surrender of receipts	Up to USD 5 per 100 American Depositary Shares or fraction thereof	Party surrendering receipts
3) Distribution of Cash Dividends and Cash Proceeds processing	Up to USD 3 per 100 American Depositary Shares	All holders of American Depositary Shares
4) Administration of the ADSs	Up to USD 3 per 100 American Depositary Shares per annum	All holders of American Depositary Shares

In addition to the fees of the Depository enumerated above, ADS holders are required under the terms of the Deposit Agreement to bear the following: (i) taxes and other governmental charges, (ii) share transfer registration fees on deposits, (iii) certain cable and facsimile transmission and delivery charges, and (iv) such expenses as are incurred by Deutsche Bank in the conversion of foreign currency into dollars.

***Fees payable by the Depository to the Issuer***

Prior to January 2019, Deutsche Bank had agreed to pay Ericsson a yearly fixed amount for such revenues collected by Deutsche Bank. In 2018, such amount totaled approximately USD 8.5 million. Effective January 2019, Deutsche Bank has agreed to pay Ericsson an amount equal to a fixed percentage of the net revenues, if any, collected by it as a result of charging ADS holders issuance and cancellation fees, and dividend processing and annual servicing fees.

Prior to January 2019, Deutsche Bank had agreed to waive the costs associated with the administration of the ADS program and reporting services. In 2018, such amount totaled approximately USD 89,753. Effective January 2019, Deutsche Bank has waived the cost of providing the ADS program administrative and reporting services to the extent provided by Deutsche Bank, and has agreed to bear the cost of certain third-party out-of-pocket costs related to the ADS program up to USD 50,000 per year. These costs include costs for the local custodian's administration of matters relating to meetings of shareholders and costs of certain transfer agent administration services, such as the registration and transfer of depositary receipts.

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**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

**A. Disclosure Controls and Procedures**

The information set forth under the section Corporate Governance - Corporate Governance report 2018 - Internal control over financial reporting 2018 Disclosure controls and procedures of the 2018 Swedish Annual Report is incorporated herein by reference.

**B. Management's Annual Report on Internal Control Over Financial Reporting**

The information set forth under the section Financials - Management's report on internal control over financial reporting of the 2018 Swedish Annual Report is incorporated herein by reference.

**C. Attestation Report of the Registered Public Accounting Firm**

The information set forth under the section Financials - Report of independent registered public accounting firm of the 2018 Swedish Annual Report is incorporated herein by reference.

**D. Changes in Internal Control Over Financial Reporting**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

Corporate Governance

Corporate Governance report 2018

Internal control over financial reporting 2018 Internal control over financial reporting

Financials



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**ITEM 16. [RESERVED]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The information set forth under the section Corporate Governance - Corporate Governance report 2018 - Committees of the Board of Directors Audit Committee Members of the Audit Committee of the 2018 Swedish Annual Report is incorporated herein by reference.

**ITEM 16B. CODE OF ETHICS**

The information set forth under the following headings of the 2018 Swedish Annual Report is incorporated herein by reference:

The business

Sustainability and corporate responsibility

Financials - Board of Directors report

Corporate Governance Business integrity

Corporate Governance

Corporate governance report 2018

Regulation and Compliance Code of business ethics

Sustainability

Sustainability management

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information set forth under the Section Financials - Notes to the consolidated financial statements - Note H5 Fees to auditors of the 2018 Swedish Annual Report is incorporated herein by reference.

***Audit and Compliance Committee Pre-Approval Policies and Procedures***



The Audit and Compliance Committee reviews and approves the scope of audits to be performed by external and internal auditors and analyzes their results and costs. The Audit and Compliance Committee keeps the Board of Directors informed about the external and internal auditors' performance. It also makes recommendations to the Nomination Committee regarding the external auditor's election and fees. In order to ensure the external auditor's independence, the Audit Committee has established pre-approval policies and procedures for audit and non-audit services to be performed by the external auditor. Pre-approval authority may not be delegated to management. The policies and procedures include a list of prohibited services, and audit and non-audit services that require pre-approval by the Committee. Such services fall into two broad categories:

General pre-approval – certain services regarding taxes, transactions, risk management, business improvement, attestation and accounting services and the so called general services (other than prohibited services) have received general pre-approval by the Audit and Compliance Committee, provided that the estimated fee for each project does not exceed SEK 1 million. The external auditor must advise the Audit and Compliance Committee with a quarterly summary of ongoing projects related to non-audit services and an annual report of fees and expenses for all audit and non-audit services.

Specific pre-approval – all other non-audit services and services subject to general pre-approval exceeding SEK 1 million must receive specific pre-approval. The external auditor submits an application in writing to the Parent Company for final approval by the Audit and Compliance Committee, including a statement as to

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whether, in the view of the external auditor, the contemplated services are consistent with applicable rules on their independence. The Audit and Compliance Committee Chairman has the delegated authority for specific pre-approval in between Committee meetings, provided that the estimated fee in each case does not exceed SEK 2.5 million. The Chairman reports any pre-approval to the Audit and Compliance Committee at its next meeting.

All services provided in 2018 by the independent auditors were pre-approved in accordance with the pre-approval policies and procedures described above.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

All members of the Audit Committee of a NASDAQ New York-listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC Rule 10A-3(b)(1)(iv)(C) under the Exchange Act includes a specific exemption from these independence requirements for Audit Committee members of foreign private issuers who are non-executive employee representatives appointed to the Audit Committee pursuant to local law. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit and Compliance Committee to act independently or to satisfy other SEC requirements applicable to Audit Committees.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

The Nomination Committee, which is comprised of the Chair of the Board of Directors and representatives of Ericsson's largest shareholders by voting power, is responsible for proposing the external auditor for election by the shareholders, upon recommendation from the Audit and Compliance Committee of the Board of Directors. Under applicable auditor rotation rules, Ericsson must change auditors from its current auditor PricewaterhouseCoopers AB ( PwC ) no later than in 2021. In light of the foregoing, in 2018, Ericsson initiated a tendering process, overseen by the Audit and Compliance Committee, for appointment of the Group's auditor for the financial year 2020 to be elected by the shareholders at the 2020 Annual General Meeting of shareholders ( AGM ). Based on the results of this tendering process, the Audit and Compliance Committee expects to make a recommendation to the then current Nomination Committee (expected to be appointed after the 2019 AGM) as to which external auditor should be proposed by the Nomination Committee for election at the 2020 AGM.

In respect of fiscal years 2017 and 2018:

PwC has not issued any report on the financial statements or on the effectiveness of internal control over financial reporting of Ericsson or any of its subsidiaries that contained an adverse opinion or a disclaimer of opinion. The relevant PwC auditor's reports were not qualified or modified as to uncertainty, audit scope or accounting principles.

there has not been any disagreement with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to PwC's satisfaction, would have caused PwC to make reference to the subject matter of the disagreement in connection with its auditor's reports, or any reportable event as described in Item 16F(a)(1)(v) of Form 20-F. Ericsson has provided PwC with a copy of the foregoing disclosure and has requested that they furnish it with a letter addressed to the US Securities and Exchange Commission stating whether it agrees with such disclosure and, if not, stating the respects in which it does not agree. A copy of PwC's letter dated 29 March, 2019, in which they stated that they agree with such disclosure, is filed as Exhibit 16.1.

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**ITEM 16G. CORPORATE GOVERNANCE**

Ericsson, as a company whose shares are listed on NASDAQ New York, is subject to the listing requirements and certain of the corporate governance requirements of NASDAQ New York and to certain rules of the SEC.

All members of the audit committee of a NASDAQ New York- listed company must be independent in accordance with NASDAQ New York and SEC rules. SEC rules include a specific exemption from these independence requirements for an employee of a foreign private issuer who is not an executive officer if the employee is elected or named to the board of directors or audit committee pursuant to the issuer's governing law or documents, or other home country legal or listing requirements. The Company relies on this exemption, and does not consider that such reliance materially adversely affects the ability of the Audit and Compliance Committee to act independently or to satisfy other SEC requirements applicable to audit committees.

Under NASDAQ New York rules, Ericsson is permitted to follow home country practices in lieu of certain NASDAQ corporate governance requirements that would apply to US companies listed on NASDAQ New York. The rules require disclosures regarding the ways in which Ericsson's corporate governance practices differ from those required of US companies under the rules of NASDAQ New York.

These differences include the following:

Employee representatives are appointed to Ericsson's Board of Directors and serve on Committees (including the Audit and Compliance Committee and the Remuneration Committee) in accordance with Swedish law.

Employee representatives on the Ericsson Board and committees may attend all meetings of the Board and committees on which they serve (including those of the Audit and Compliance Committee and the Remuneration Committee) in accordance with Swedish law.

In accordance with Swedish market practices, the Nomination Committee is not fully comprised of Board members. In addition to the Chair of the Board, representatives of the four largest shareholders are members of the current Nomination Committee of Ericsson.

The determination regarding independence of Board members is made by the Nomination Committee (instead of the Board) prior to the Annual General Meeting of Shareholders ( AGM ). Before the AGM 2018, the Nomination Committee determined that the following Board members were independent under all applicable independence requirements, including the NASDAQ New York rules: Jon Fredrik Baksaas, Jan Carlson, Nora Denzel, Eric A. Elzvik, Kurt Jofs and Kristin S. Rinne. When appointing members to the committees of the Board, the Board makes determinations regarding committee member independence.

The Board holds sessions of the non-executive directors, but does not have regularly scheduled meetings with only independent directors present.

Under applicable Swedish rules, Ericsson is not required to publicly disclose the material terms of all agreements and arrangements between our directors or nominees for director and any person or entity (other than us) relating to compensation or other payment in connection with such person's candidacy or service as a director of our company.

The external auditor is elected by the shareholders and is proposed by the Nomination Committee upon recommendation from the Audit and Compliance Committee.

NASDAQ New York rules applicable to US companies require the consideration of six factors relating to the independence of compensation consultants, legal counsel or other advisers retained by compensation or remuneration committees. Consistent with Swedish practices, the Remuneration Committee's procedures addressing independence of advisers do not expressly require the consideration of those six factors.

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Ericsson does not solicit proxies for shareholder meetings, which is in accordance with Swedish practices and rules.

There are no minimum quorum requirements for shareholder meetings under Swedish law, except under certain limited circumstances. Certain resolutions requiring special quorums and majorities are described under Memorandum and Articles of Association.

Some of the requirements addressed by NASDAQ New York rules are included in the Swedish Corporate Governance Code or the work procedure for the Board instead of committee charters. The work procedure establishes the attribution of various responsibilities among the Board, its committees and the President and CEO. The work procedure for the Board is reviewed, evaluated and amended as required or appropriate, and adopted by the Board at least once a year.

See Item 8.B. Financial Information Significant Changes herein.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See our consolidated financial statements and accompanying notes of the 2018 Swedish Annual Report.

Consolidated income statement and Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of cash flows

Consolidated statement of changes in equity

Notes to the consolidated financial statements

Report of independent registered public accounting firm

**ITEM 18. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 19. EXHIBITS**

The exhibit index attached hereto is incorporate herein by reference.

**Table of Contents****EXHIBIT INDEX**

The agreements and other documents filed as exhibits to this 2018 Form 20-F are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the registrant in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

<b>Exhibit Number</b>	<b>Description</b>
1	<u>Articles of Association of Telefonaktiebolaget LM Ericsson (amended April 2016) (incorporated herein by reference to Exhibit 1 to the Annual Report on Form 20-F for the year ended December 31, 2016 filed by the registrant on April 26, 2017 (File No 000-12033)</u>
2.1	<u>Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depositary, and holders of American Depositary Receipts, dated as of January 7, 2014 (incorporated herein by reference to Exhibit 2 to the Annual Report on Form 20-F for the year ended December 31, 2014 filed by the registrant on March 31, 2015 (File No. 000-12033)</u>
2.2	<u>Amendment No. 1, dated as of October 24, 2016, to the Second Amended and Restated Deposit Agreement Among Telefonaktiebolaget LM Ericsson (publ) and Deutsche Bank Trust Company Americas, as depositary, and holders of American Depositary Receipts, dated as of January 7, 2014 (incorporated herein by reference to Exhibit 2.2 to the Annual Report on Form 20-F for the year ended December 31, 2016 filed by the registrant on April 26, 2017 (File No. 000-12033)</u>
6	<u>See Financials Notes to the consolidated financial statements Note A1 Significant accounting policies of the 2018 Swedish Annual Report</u>
7	<u>For definitions of certain ratios used in this report, see the section of the 2018 Swedish Annual Report entitled Financial Terminology</u>
8	<u>See Item 4.C. Organizational Structure</u>
11	<u>Code of Ethics (amended March 2017) (incorporated herein by reference to Exhibit 11 to the Annual Report on Form 20-F for the year ended December 31, 2017 filed by the registrant on March 23, 2018 (File No 000-12033)</u>
12.1	<u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
12.2	<u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
13.1*	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
13.2*	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>



15.1**	<u>Swedish Annual Report for 2018 in English (adjusted version)</u>
15.2	<u>Consent of PricewaterhouseCoopers AB</u>
16.1	<u>Letter from PricewaterhouseCoopers AB regarding change in registrants certifying accountant</u>
101**	XBRL Instance Document and related items

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<b>Exhibit Number</b>	<b>Description</b>
101.INS***	XBRL Instance Document.
101.SCH***	XBRL Taxonomy Extension Schema Document.
101.CAL***	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF***	XBRL Taxonomy Definition Linkbase Document.
101.LAB***	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE***	XBRL Taxonomy Extension Presentation Linkbase Document.

\* This certification will not be deemed filed for purposes of Section 18 of the Exchange Act (15 U.S.C. §78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

\*\* Certain of the information included in Exhibit 15.1 is incorporated by reference into this 2018 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended. With the exception of the items so specified, the 2017 Swedish Annual Report is not deemed to be filed as part of this 2018 Form 20-F.

\*\*\* In accordance with Rule 406T(b)(2) of Regulation S-T, such XBRL information will be furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, will be deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise will not be subject to liability under those sections.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

**TELEFONAKTIEBOLAGET LM  
ERICSSON**

By: /s/ JONAS STRINGBERG

Name: Jonas Stringberg

Title: Vice President, Head of Financial  
Control and Business Services

By: /s/ XAVIER DEDULLEN

Name: Xavier Dedullen

Title: Senior Vice President, Chief Legal  
Officer

Date March 29, 2019